



Town of Wayland Massachusetts

OPEB Advisory Committee

Kent E. George
David Gutschenritter
Cliff Lewis (Chair)
Maryanne Peabody
Jay Sherry

Minutes of the OPEB Advisory Committee
Wednesday, July 8, 2015
Selectmen's Meeting Room in the Wayland Town Building

Present were Committee Members: Cliff Lewis (Chair), Kent George, David Gutschenritter, Maryanne Peabody and Jay Sherry. Also invited and present: Nan Balmer, Town Administrator and Zoe Pierce, Town Treasurer.

Proceedings can be viewed on WayCam.

Cliff Lewis called the meeting to order at 7 pm.

Public Comment – none

Cliff opened the meeting by saying the Committee had asked Nan and Zoe to attend for a discussion regarding whether the Town should live with or alter the Special Town statute on the OPEB Trust.

Nan Balmer described that she, Zoe, Brian Keveny (Finance Director) and Brian Fox, the attorney from Murphy, Hesse, Toomey & Lehane, retained by the OPEB Committee to help the Town assess whether there is need for a separate Trust agreement. Nan said Brian Fox was very helpful in letting she, Brian and Zoe understand their responsibilities under the current Town OPEB statute. She said that the fund had not been managed according to the Special Act (particularly with regard to the roles of the Town Administrator and Finance Director as the Trustees) and that they would be now. Nan mentioned that she saw the "prudent investor" in Chapter 203C as very different from the "prudent investor" concept in business. She said that she and Brian must find an expert to assist them in their duties that would be separate from the investment managers at Rockland Trust and Bartholomew. The Trustees of the OPEB Fund must set goals and adopt an investment policy. She stated they have started acting in their respective roles and would hire an expert through a procurement process. The issue was raised that since the Town Administrator and Finance Director are the trustees and as Town employees, also beneficiaries, Maryanne Peabody asked if having an additional independent trustee made sense. Dave Gutschenritter suggested a Board of Trustees made up of three (3) employees and two (2) independent trustees. Kent George asked if the 2 trustees who are Town Employees were not qualified as financial experts, would they need to hire a Trustee who is an expert. Nan Balmer said that she is investigating what other towns do and if there are trustees for hire and whether they charge by the hour, set fee, or

on a retainer. Jay Sherry discussed whether the idea of an informal investment committee would be workable under Wayland's current statute. Brian Fox said that it would not. Nan said that Brian said that any committee would have to operate under the Open Meeting Law guidelines.

Jay also asked about the current state of the investment reporting. Nan agreed that it should be reported for transparency. Cliff voiced that the Special Act did not mandate reporting. Kent George asked where did the Selectmen fit in the equation? It was discussed that the Special Act only identified the responsibility of the Town Administrator and the Finance Director and that, while the input of the Selectmen could be sought, it seemed that in the current Special Act the authority lay with the Town Administrator and the Finance Director.

A question was asked whether Rockland Trust and Bartholomew responded regarding investment information. Cliff said that they responded to him by emailing questions. The committee did not see that response. Bartholomew has not implemented the investment policy recommended by the OPEB Committee. If the policy is not implemented then the dollar amounts for town contribution annually and having the fund fully funded in 37 years will not work since the investment growth at 7% accounts for a good portion of the funding needed. The recommended town contribution is based on a return rate of 7% after management fees.

Can the Town change the Special Act? Nan said that we need to do is what is in the best interest of the Town. She thought that we should consider Dave Gutschenritter's suggestion of 5 trustees.

Cliff voiced that he was impressed with Brian Fox's understanding of the matter and that our next question should be: should we keep the Special Statute, adopt the State statute or change Wayland's Special Statute?

Nan Balmer will proceed with hiring an expert.

Cliff Lewis said we had received a good summary of where we are.

Jay Sherry suggested that if we wanted to change the Special Act we need to prepare an article for vote at the Special Town meeting that, if successful, that would need to be followed by a vote of the legislature. Jay suggested we file a place holder for an article for the November Special Town Meeting. He also suggested that we need to change the wording in section 3 about the HCST fund since HCST no longer exists as an option.

Both Jay Sherry and Kent George voiced the concern that the lack of citizen taxpayer input in the process in the governance of the fund is not a good situation. Kent voiced that the Finance director should be involved for oversight. Maryanne Peabody voiced that there must be someone representing the Town for oversight in addition to the Town employees. Nan Balmer thought there might be various ways to accomplish this. Cliff posed the question, should we rescind the Town's Special Statute and replace with the State version, 23B, or is it simpler to rescind the current Special Statute and re-write it with a real trust agreement with the State statute?

Kent George agreed that we should re-write the Special Act. Jay Sherry thought it would be easier to embrace the State Statute. Cliff thought we should question Brian to see what other towns have done. Both Kent George and Maryanne Peabody thought that since there are few towns that have put any

substantial money aside that we were in the forefront and would not find much useful data. Jay Sherry will contact PERAC. Zoe Pierce thought that this would be a very small sample.

Maryanne Peabody asked if Wellesley (a town that had put money aside) has a trust agreement. Zoe Pierce responded that they had not and that in Wellesley the Trust Fund Commission will take the responsibility on. There was discussion about how other towns have begun to handle the OPEB issue.

Nan Balmer updated the committee on some of the issues in the Treasurer/Collector's office that Zoe has been clearing up since she came on board and that there are tighter controls being put in place for these areas. They will get investment activity performance measures back from Bartholomew. They have a 50/50 allocation of investments and said they can move quickly. Jay Sherry suggested that the question should not be "how are we doing against a 7 % return but how are we doing against a fair benchmark for the market". Some discussion ensued about what benchmark that could be. Cliff suggested the MSCI World Index which is international and is a fair benchmark and would have produced a 7% return over time. He also suggested Barclay's Aggregate for Fixed Income products. Cliff suggested we define a cadence of questions that we want answered by the investment managers. Zoe Pierce said that the Town has a responsibility to stay on top of things and that we need an automatic reporting process from the investment management firms. Kent George asked how often the money was transferred to the OPEB Trust account. Zoe Pierce said that it was transferred once annually.

Further discussion ensued regarding the use of index funds (passive investment) vs. having investment managers. The question for active managers should be: prove that your active management trumps the use of passive index funds. Zoe Pierce asked if PRIT had been considered. Cliff explained that the Committee has considered that and thought that it is a defensible strategy. Some OPEB committee members have voiced concern about some of the radical investments that PRIT has in its portfolios.

Kent George said that the 75%/25% investment mix provides the bulk of the return needed by the Town over the long term. There was a motion made and seconded to reaffirm the investment policy adopted on 5/20/2015. It was voted in favor 4-0-1 (with Dave Gutschenritter abstaining due to potential conflict of interest).

The committee agreed we should read MGL Chapter 203C and understand the IRS regulations regarding a trust.

Kent George voiced that he did not think the Conflict of Interest issue comes in to play with the Town Administrator and the Finance Director being trustees since the life of the trust is so long in time that those 2 individuals would not have a substantial percentage of impact. However, if there is a question of what to do with the money, then conflict of interest comes into play.

Jay Sherry asked about what the Committee wanted to do about a warrant article. Kent George pointed out that the Committee does not have the authority to submit a warrant article but only to recommend an article to the Selectmen. Discussion ensued whether the Committee could reasonably get a motion to rescind the Special Act; accept the state statute, and get a trust agreement ready for the Special Town meeting. Cliff Lewis will contact Brian Fox to confer. Jay Sherry asked if we could put together a warrant article. Cliff Lewis agreed we should begin to write an article. Cliff will also speak with Tony Boschetto, the Selectman who is the OPEB's contact. Dave Gutschenritter made the motion, seconded

by Kent George to delegate to Cliff Lewis and Jay Sherry to talk with Tony Boschetto and to begin drafting a warrant article for the Special Town meeting. Vote was passed 5-0.

Schedule subsequent meetings – the next meeting was scheduled for Wednesday, July 5, 2015. A subsequent meeting was scheduled for Thursday, August 6.

Remaining Tasks for the Committee -

1. What to do with the actuary – the responsibility for choosing an actuary remains with Brian Keveny.
2. The legal issue of whether a separate trust document is needed.
3. Cost savings
4. Other housekeeping items of identifying who owns the various responsibilities moving forward.
5. How we allocate the bills from West Suburban regarding active vs. retired employees.
6. How do we get our final report completed?

There being no further business, a motion was made, seconded and voted to adjourn the meeting at 8:50 pm.

Respectfully submitted,

Maryanne Peabody
Member, OPEB Advisory Committee